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NEWS CLIPPINGS –26-01-2018

Govt hikes duty drawback rates on 102 items to make exports more competitive	Live Mint http://www.livemint.com/Politics/3P16wXVMAJN6uhE0BJzz1I/Govt-hikes-duty-drawback-rates-on-102-items-to-make-exports.html

The export items that will now enjoy a higher duty drawback include marine and seafood products, automobile tyres and bicycle tyres/tubes, leather and articles made of leather The finance ministry on Thursday increased duty drawback rates on 102 items to make Indian exports more competitive. The ministry, however, seems to have ignored the recommendations of a parliamentary standing committee on commerce to allow exporters to use the duty drawback scheme to take care of all the embedded taxes they have to pay under the Goods and Services Tax (GST) regime. Under the pre-GST regime, government used the duty drawback scheme to refund both excise and customs duties paid on inputs used for exports. However, after GST was introduced, the government reduced the duty drawback rates and allowed them to be used only for customs duty refunds on inputs used.

The export items that will now enjoy a higher duty drawback include marine and seafood products, automobile tyres and bicycle tyres/tubes, leather and articles made of leather, yarn and fabric made of wool, glass handicrafts and bicycles.

“As a step towards more efficient input tax neutralization on exports, after considering various representations from trade and industry, the government of India has enhanced the all industry rates of duty drawback for 102 tariff items. The revised rates of duty drawback will help address the concerns of these export sectors and make India’s exports more competitive in the global economy,” the finance ministry said in a statement.

According to independent trade analyst T.N.C. Rajagopalan, to the extent that exporters get more benefits, the move by the finance ministry is a welcome step.

“However, the problem regarding delay in refund of input tax credit faced by exporters remains,” he added.

The parliamentary standing committee on commerce, in its report on “impact of GST on exports” released last month, said both direct and embedded tax refunds under the new GST system is very complicated for small exporters who do not have adequate back office capability. “The committee recommends that the government provide for a duty drawback rate which would encompass all the taxes including the GST/IGST levied as well as embedded/blocked tax and give a choice to the exporters to either claim the duty drawback or follow the input tax credit route. This will also release the pressure on GST Network," it said.

The committee said sudden withdrawal of the incentives extended earlier under the duty drawback scheme will lead to the collapse of labour-intensive industries and expressed deep concern over the possibility of job losses.

"This will have a cascading effect on employment and livelihood of poor workers in these industries."

The committee said it was informed that trimming down of the duty drawback scheme and consequent erosion of export competitiveness had already set in the problem of layoffs. Bipin Sapra, tax partner at EY India, said the revision of drawback rates is a welcome relief to exporters and their cash flow, which had been adversely impacted because of delayed refunds and increased input cost in GST, should now improve.

Union Budget 2018: Why The Handloom Weaver Must Get A Tax Waiver	**Swarajyamag** https://swarajyamag.com/ideas/union-budget-2018-why-the-handloom-weaver-must-get-a-tax-waiver

The union budget 2018 will be the fifth budget under the Narendra Modi government that will be presented by Finance Minister Arun Jaitley in Parliament on 1 February. The hope is that the budget will bolster the country's textile industry, which has the maximum employment potential, after agriculture, and also has the largest number of weavers in the world, comprising mostly women.

Here are some of the expectations from budget 2018:

When it comes to tax, both handloom and power loom textiles are currently treated alike, as it is difficult for the government to differentiate between the two. Registered cooperatives solely into handloom textiles must be exempted from any kind of tax, irrespective of the income they earn. Developing a handwoven handloom fabric requires a lot more time and effort as compared to a power loom fabric. Even if certain individuals or organisations wish to promote handloom, and certain artisans want to devote their time in making fabric, they can't compete in terms of the production finesse and cost of mass manufacturing. For instance, it takes six days to design one metre of Kinkhab Banarasi Zari fabric. Therefore, the budget should consider that all handlooms should not be given the same treatment as power looms. The time, energy and effort put into handlooms must be honoured and celebrated and hence must be free from any taxation.

Similarly, natural yarns should also be exempt from taxation, whether silk or cotton. If we wish to compete with the mass-produced synthetics, there is a need to create a level-playing field for cotton and synthetics. Moreover, usage of natural dyes, local produce, naturally and locally produced complementary dyes, yarns, blocks, colours, and processes should be exempt from any kind of tax as against the synthetics and cheaper material. This is important to highlight the produce of the state as well as promote it across the population and encourage them to use and wear it. The penetration of synthetics is so intense that even the utmost innards of the rural areas are wearing 100 per cent polyester due to the difference in prices.

What the handloom industry and production of craft-based fabrics suffer from, today, is mainly quality. The need of the hour is to create a standardised system governed by a dedicated body of government – a subdivision or an allocation in the Ministry of Textiles that works on the standardisation of artisanal produce. A body that improves, standardises, funds and certifies the current level of quality of artisanal producers of textiles and craft-based fabrics.

Today, the fabrics used for developing clothing such as indigo, tie & dye, dabu, and other dye-based crafts, suffer heavily in terms of quality, texture, longevity and adaptability due to the use of sub-par dyes and techniques of washing and treating of the fabrics, whether in the pre- or the post-processing stages. Crafts that are hallmarks of the rich cultural vibrancy of India, centres of which are states like Rajasthan, Madhya Pradesh and Gujarat, to name a few, require a central government body to certify each artisanal produce much on the lines of what Food Safety and Standards Authority of India does to processed food produce.

For wider outreach, pro-active certification should be offered to artisans, giving the consumers a certified and justifiable level of quality, while also giving the local crafts and craftsmen their due credit and recognition for their craftsmanship. This is the main reason why artisanal produce has not become mainstream and the go-to fabric yet. The standardisation efforts thus far have been made by big conglomerates or corporates who have the resources to indulge in providing a private mark or certification, which has not allowed the small- and medium-level participants or startups such as ours to take advantage of the authentic, handwoven handloom crafts. This can only happen when all the artisanal produce has a degree of standardisation to ensure quality. The budget should aim at improved infrastructure, education and skill-set training to nurture the industry as it looks promising with demands of domestic and export consumption.

Tirupur garment makers shift fabric dyeing to Mysuru	**Times of India** https://timesofindia.indiatimes.com/city/coimbatore/tirupur-garment-makers-shift-fabric-dyeing-to-mysuru/articleshow/62666741.cms

Garment makers in Tirupur are now increasingly getting their fabric processed in Mysuru to cut costs with about 25% of the work now being done in the neighbouring state. "Many knitwear garment manufacturers in Tirupur prefer unauthorised fabric dyeing units, which have not adopted 'Zero Liquid Discharg'e (ZLD) in villages near

Mysuru in Karnataka and other districts of the state," industry sources said.

Processing fabric in and around Mysuru is about 20% cheaper compared to Tirupur, sources said. Around 18 lakh kgs fabric is processed per day in Tirupur. The dyeing units that operate in Tirupur are following ZLD norms and have to spend 20-25 paise per liter of water for the purpose.

"But the unauthorised units in Karnataka need to bother about the ZLD cost and their overheads cost would also be comparatively low. So, garment manufacturers have started preferring these units over the local ones," said S Nagarajan, president, Dyers Association of Tirupur (DAT).

"We are getting reports that a section of garment manufacturers, both engaged in export and domestic trade, are processing fabric with textile dyeing units in villages near Mysuru and also in few other districts in Tamil Nadu including Madurai and Virudhunagar. Most of these units are neither authorised nor follow ZLD norms," Nagarajan stated. Since processing units near Mysuru do not have drying facility, garment manufacturers have to take the dyed fabric and dry them in sheds available in Tirupur. "They provide processing service at low cost, which has become advantageous to garment manufacturers despite the extra transportation cost," Nagarajan said.

Garment makers are trying to reduce manufacturing costs to stay in the business as the industry is already facing a crunch due to implementation of demonetisation and GST apart from competition from countries like Bangladesh, Sri Lanka and Vietnam," according to the managing director of a leading knitwear manufacturing company in Tirupur. "As a result, some manufacturers are opting for dyeing units in Karnataka," he said. "It is unfair to compel manufacturers not to use dyeing units that provide service at lower cost," he said. DAT has made a representation to TNPCB's (Tamil Nadu Pollution Control Board) principal secretary and chairman Md Nasimuddin seeking a direction to control unauthorised dyeing units. "The DAT should approach the state and central governments to ensure that all the dyeing units across the country follow ZLD norm, so that the competition will be healthy," said T R Vijayakumar, general secretary, Tirupur Exporters' Association (TEA) said "The Madras High Court's direction will apply to all the textile and tannery dyeing units as far as the ZLD norms are concerned across the state. DAT has complained that the garment manufacturers were preferring units in other districts and in the neighbouring state," a senior TNPCB official said.

Around 400 dyeing units are functioning in Tirupur city and surrounding areas. There are 18 common effluent treatment plants (CETPs) and about 100 individual effluent treatment plants (IETPs) catering to the need of the dyeing units to comply with ZLD norms as directed by the Madras High Court. Based on the instructions from TNPCB, Tirupur district administration warned garment manufacturers not to dye the fabric in the units near Mysuru and dry them in sheds in Tirupur. "Otherwise, action will be taken under the Water (Prevention and Control of Pollution) Act, 1974," a revenue official said.

India’s trade on strong growth trajectory: Study	The Hindu Business Line http://www.thehindubusinessline.com/economy/indias-trade-on-strong-growth-trajectory-study/article10051610.ece

DHL Global Trade Barometer says the country has the potential to catch up with the big contributors to global trade. India’s growth trajectory will remain robust, with its trade index bettering that of the US and the UK, a study by a global logistics major has found. DHL Global Trade Barometer, an early indicator of global trade developments, suggests India’s economy has brighter prospects than any of the world’s seven largest contributors to global trade: China, South Korea, Germany, India, Japan, the UK and the US.

“More than any of the world’s largest economies, India’s major industries have displayed levels of resilience and growth that will buoy business confidence in the short- to medium-turn,” said George Lawson, Managing Director, DHL Global Forwarding India. The DHL Global Trade Barometer, developed jointly by DHL and Accenture, is based on import and export data for a number of intermediate and early-cycle commodities that serve as inputs for industrial production. Using Artificial Intelligence, Big Data and predictive analytics, the index analyses air and containerised ocean freight data in seven countries, which account for more than 75 per cent of world trade.

Air, ocean freight

The study said both air and ocean freight remain strong in India, with high demand for commodities and equipment driving growth. It notes that India’s increased import of industrial raw materials point to an extended period of trade development for the nation, even as trade in machinery and hi-tech goods would continue to underpin its growth. According to the report, businesses in India can expect ocean trade to improve further, thanks to the demand for commodities and industrial materials from overseas. Demand forair freightis projected to remain stable at current highs, sustained by growth in machinery and technology imports. India’s air and ocean freight forecasts proved stronger than those of any other country in the Global Trade Barometer largely due to every major sector making a positive contribution to the country’s trade.

“We are expecting strong performance in not just one or two sectors, but across the entire Indian economy,” said Lawson, adding: “It implies two things - Indian enterprises of all stripes are not only growing fast, but are also becoming more and more globally connected in how they do business.”

Firm trend seen in cotton prices as CCI, corporates step up purchases	**Business Line** http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/firm-trend-seen-in-cotton-prices-as-cci-corporates-step-up-purchases/article10052059.ece

Cotton prices are seen ruling firm as State-run Cotton Corporation of India (CCI) and multinationals such as Louis Dreyfus and Glencore have stepped up purchases of the fibre crop across key growing regions in the country. More than half the estimated total crop size of 345 lakh bales has already arrived in the market.

CCI, so far, has bought 6.2 lakh bales (of 170 kg each), of which 3.67 lakh bales have been purchased under the Price Support Scheme at a minimum support price of Rs. 4,270 per quintal. "The remaining 2.53 lakh bales has been purchased under CCI's commercial operations. The market prices are ruling above the MSP level and considering the viability, we sell to our consumers — the textile mills. Currently, we are conducting commercial purchases for about 10,000 bales daily," sources at CCI said. CCI's purchases at MSP were mainly in the initial two months of the cotton arrival season, when the market prices had dropped below the Rs. 4,000-a-quintal mark in various markets owing to increased arrivals and higher crop estimates. "So far, about half of the crop, nearly 165 lakh bales, has already arrived in the market. The exports have crossed over 22 lakh bales. Going forward, the quality issues may crop up and prices may firm-up further. However, all eyes are on the upcoming Budget anticipating some boost for the textiles sector, which can push up the cotton demand," said Arun Dalal, a cotton trader in Ahmedabad.

Arrivals, prices

With steady arrivals, raw cotton or kapas prices at Gujarat markets hovered around Rs. 1,030-1,050 per 20 kg or Rs. 5,150-5,250 per quintal. The prices corrected marginally from the peak of Rs. 5,500 on increased arrivals. In other markets of Telangana, Karnataka and Maharashtra, the prices are hovering between Rs. 4,800 and Rs. 5,200. Ginned cotton prices hovered at Rs. 41,800 per candy of 356 kg, which is about Rs. 700 lower than what was seen a month ago.

Strong buying interest

"There's lot of MNC buying interest, which is supporting the prices. The local mills are also buying actively," said Ramanuja Das Boob, a sourcing agent for the global firms based in Raichur, Karnataka, where an estimated 9-10 lakh bales have arrived in the market. In Telangana, the market arrivals have been pegged at 35-37 lakh bales. Boob said the prices were expected to remain stable, but the trend would largely depend on the New York futures.

Apparel retailers hopeful of recovery this year after tough 2017	Live Mint http://www.livemint.com/Industry/F78pbdCqMUhGKvwyngeMaJ/Apparel-retailers-hopeful-of-recovery-this-year-after-tough.html

Still, with the modern, organized retail landscape shifting and adjusting to an omni-channel way of doing business, like-for-like sales growth could be under pressure

After a tough year by way of sales and margin growth, apparel retailers are hoping for a rebound in 2018 as consumer demand picks up.

Still, with the modern, organized retail landscape shifting and adjusting to an omni-channel way of doing business, like-for-like sales growth could be under pressure. Omni-channel offers customers a combination of shopping online and at physical retail stores. While these retailers benefited significantly in the April-June quarter from pre-GST (goods and services tax) sales, they took a hit in July immediately after GST was implemented as consumers temporarily clamped down on spending. An early Diwali that nearly overlapped with end-of-season sales meant the recovery in the December quarter was also not as strong as expected.

But things are looking better now.

"The whole brick-and-mortar growth story is intact. This year at a company level, i.e. Lifestyle, Home Centre and Max Fashions, we will close with revenue of almost Rs8,000 crore. We are growing at a 20-23% five-year CAGR. We expect that CAGR rate to be at least 18-20% going ahead," said Kabir Lumba, managing director of Lifestyle International Pvt. Ltd. CAGR stands for compound annual growth rate. Lifestyle has been posting double-digit, like-for-like sales growth for four consecutive years and there is no change in that broad trend, despite supply chain disruptions in July-August and a 10-15% lower-than-expected Diwali sale, according to Lumba.

Like-for-like sales measure sales growth excluding any effects of expansion or acquisitions that artificially enlarge a company's sales. Fast-fashion brand Splash is also positive that 2018 will be good, provided there are no more policy changes. "There are a lot more activities and interventions happening at malls, which is getting the customer to come back and experience brick-and-mortar," said Abhinav Zutshi, Splash India's chief operating officer. Total revenue from the organized retail sector, across categories, is expected to catapult to $166 billion by FY25 from $55 billion in FY16, Edelweiss Securities wrote in a research report on 8 January. Apparel, food and beverage and jewellery will benefit the most over the long-term from India's growing shift to modern, organized retail, Edelweiss said.

Within apparel, the industry is expected to continue to bet heavily on women's wear. Indo-western women's wear, in particular, will come of age, said Jitendranath Patri, vice president of marketing at Central, Future Lifestyle and Fashion Ltd's department store chain.

The main reason behind the optimism among analysts and industry executives is that underlying consumer demand remains strong. “Our channel checks suggest that consumer demand has not been impacted at all because of GST implementation,” analysts at PhillipCapital wrote in a report published on 5 January.

Policies like the Maharashtra government’s December decision to allow shops and restaurants that don’t serve alcohol, cinema halls, salons and hyper malls to be open 24/7 will also boost brick-and-mortar retail and put it on equal footing with e-commerce.

But some caution that margins could come under pressure as retailers adjust to an omni-channel business model, which requires additional expenditure and resources. For instance, some apparel retailers offer free home delivery service. While that may not work out to a huge amount on an individual order basis, collectively, it puts pressure on margins. And that is playing out against a backdrop of an ever-increasing number of brands entering the market.

Consumers are also not changing their shopping habits as easily as they used to before despite a big push from retailers, according to Govind Shrikhande, managing director of Shoppers Stop Ltd.

“Just because there are more players, suddenly customers will not double their demand. There are a lot more companies vying for that share of the wallet now, even as consumer demand is growing at a normal pace. Like-to-like growth will be under pressure because a bulk of the growth will be through new stores,” said Vasanth Kumar, executive director at Max Fashions.

Apparel exports to the US: India posts second-highest growth among top 5	Business http://www.business-standard.com/article/economy-policy/apparel-exports-to-the-us-india-posts-second-highest-growth-among-top-5-118012600335_1.html

In Jan-Nov 2017, Vietnam's apparel exports to the US grew by 7.42% and India's by 2.19%; the other three in the top five saw their numbers declining

While US President Donald Trump's 'America First' approach to curb imports of several products might have been a cause for concern to India, the apparel sector seems to be an exception. During the January-November period of 2017, India emerged as the only large apparel-sourcing destination other than Vietnam to post a jump in exports to the US.According to the US government trade data, among the top five apparel exporters to the country, Vietnam posted a 7.42 per cent growth in exports, while India saw its exports rising 2.19 per cent during the period on a year-on-year basis, show data from the Office of Textiles and Apparel (Otexa), under the US Department of Commerce. For India, the growth came despite its overall month-wise apparel export growth declining October and November 2017.Also attributed for India’s healthy numbers for exports to the US are a decline in China’s focus on apparel exports, and a weakening competitiveness of rival nations like Bangladesh and Indonesia. Rivals China, Bangladesh and Indonesia, meanwhile, saw their apparel exports to the US during the period falling by 3.09 per cent, 4.3 per cent and -2.86 per cent, respectively.Indian apparel exporters are banking on a continued decline in export focus by China, which is looking to move more towards technology and capital-intensive industries than labour-intensive ones. Bangladesh, on the other hand, is hit by rising labour costs and compliance issues making it tough to please the US with quality exports.“Apparel has not come under the Trump administration’s review for import curbs. Also, imports from China are coming down and buyers are looking at other sourcing destinations," said Rahul Mehta, president of Clothing Manufacturers' Association of India (CMAI).As alternatives, prime destinations for the US to source apparel tend to be Bangladesh, Vietnam and India.“Bangladesh’s business is getting hit by continual compliance issues, along with rising cost of production. China is shifting from labour-intensive to technology-intensive industries.

That only leaves Vietnam for India to compete with,” said Mehta.In dollar terms, while the US’ apparel imports from China fell by $803 million from $26.021 billion during the January-November 2016 period to $25.218 billion a year later, the decline for Bangladesh over the same period was by $212 million. Against $4.939 billion worth of apparel that it exported in Jan-Nov 2016, Bangladesh shipped $4.727 billion worth of apparel in Jan-Nov 2017. Meanwhile, Indonesia’s exports dropped by $126 million from $4.393 billion to $4.267 billion over the same period.By comparison, Vietnam, the second-largest apparel exporter to the US saw its export numbers growing by $742 million – from $10.005 billion to $10.747 billion. Among the top five destinations, India happens to be the fifth in value terms, with its apparel exports to the US in Jan-Nov 2017 growing by $74 million to $3.471 billion, against $3.397 billion in the same period a year earlier.According to Mehta, while Bangladesh scores over India in pricing, Vietnam does so in volumes. "Bangladesh is cheaper than India. Vietnam does not have lower wage costs but it plays the volume game with its productivity and manufacturing standards and ends up being cheaper than India," said Mehta.While the Indian apparel industry is pinning its hopes on competing nations like Bangladesh and China to continue lowering exports to the US, it has also sought certain measures from the government to ensure a resurgence in overall exports.The Indian apparel industry saw consecutively declining numbers for overall exports in October, November and December 2017 – a fall of 39 per cent, 11 per cent and 8 per cent year-on-year, respectively – thanks to the impact of the Goods and Services Tax (GST), rolled out in July, and the discontinuance of certain export incentives.As a result, from seeking restoration of export incentives at the pre-GST rates (7.5 per cent duty drawback on cotton apparel and 3.5 per cent ROSL) to exemption of the 18 per cent taxes levied towards air freight charges under GST, Industry body Apparel Export Promotion Council (AEPC) has made around 8-10 demands ahead of Budget 2018."We have been asking the government to support the apparel exporters to survive. There have been blockages of funds as very few people got GST refunds between July and December. The dollar, which was worth Rs 65, came down to Rs 63, hurting exporters further. We have become uncompetitive and Bangladesh has started cashing in on this by offering its products 10-15 per cent cheaper in the global market," said H K L Magu, chairman of AEPC.From earlier rates of 7.5 per cent duty drawback and 3.5 per cent ROSL on cotton apparel, and 9.8 per cent and 3.5 per cent on man-made apparel, the apparel-exporting industry has seen these falling to 2 per cent duty drawback and 1.5 per cent ROSL on cotton apparel, and 2.5 per cent and 1.5 per cent on man-made apparel since the rollout of GST.

Cotton prices in India likely to fall in 2017-18: Crisil	**Fibre 2 Fashion** http://www.fibre2fashion.com/news/textile-news/cotton-prices-in-india-likely-to-fall-in-2017-18-crisil-240275-newsdetails.htm

Cotton prices in India are likely to decline to Rs 105-110 per kg in cotton season (CS) 2017-18, from Rs 117 per kg in last season, due to an expected 11 per cent rise in cotton production to 375 lakh bales, according to a report by Crisil Research. The acreage has also increased as farmers have switched back to cotton after last season's price surge. The area under cotton cultivation is estimated to have increased by 19 per cent to 123 lakh hectares compared with 103 lakh hectares in CS 2016-17. It is also 7 per cent higher than the 5-year average of 115 lakh hectares, a news agency reported citing the Crisil report.

However, erratic monsoon rains and anticipated pest-related losses may result in a fall in overall by 7 per cent to 520 kg per hectare, Crisil said. A rise in cotton production in CS 2017-18 will immensely benefit spinners in the last two quarters of this fiscal. The falling cotton prices will also improve prospects for cotton yarn exporters in the second half of this fiscal. The second quarter of fiscal 2018 was the least profitable in five years for cotton yarn mills as their margins touched 10.3 per cent as compared with a peak of 18.8 per cent in the corresponding quarter of fiscal 2014. Nearly 70 per cent of the cotton produced in CS 2017-18 is expected to be used in the next financial year by spinners, giving confidence that raw material cost would remain low in fiscal 2019, Crisil said. While domestic demand will be supported by a consumption recovery for the Indian economy, a better economic outlook for most textile trade partners and restoration of export incentives would also support higher growth and firm up yarn prices next fiscal, the Crisil report added.